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IT'S ABOUT THE CUSTOMER

stakeholders' report
fiscal year two thousand and four

Report to DFAS Stakeholders for Fiscal Year 2004

It’s about the customer.

In FY 2004, the Defense Finance and Accounting Service sharpened its focus on the needs of its customers, the men and women who defend America. They are the reason DFAS exists, and the DFAS team proudly serves them.

DFAS customers serve around the world, often in harm’s way, performing missions that are critical to national security. Every day these customers rely on DFAS to deliver pay and entitlements to satisfy their basic needs and the needs of their families. They depend on DFAS to pay contractors and vendors accurately and on time so that the support and materiel necessary to perform their missions will be readily available. DFAS customers require useful, accessible business intelligence that allows leaders to make better-informed decisions regarding the resources entrusted to them to defend America and to fight the global war against terror.

DFAS customers are world-class. They deserve a world-class finance and accounting partner. After all, for DFAS, it’s about the customer.

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A Message to DFAS Stakeholders

To our stakeholders:

I am proud to present this report on the performance of the Defense Finance and Accounting Service (DFAS) in Fiscal Year (FY) 2004. The members of DFAS take pride in being part of the Department of Defense team. We are dedicated to continuously improving the products and services we provide to the men and women who defend America. In FY 2004, the DFAS team continued its march toward becoming a world-class finance and accounting organization, capable of delivering the best value to its clients.

It's about the customer

We affect the morale and readiness of America's Military Services. Delivering accurate and timely pay and entitlements allows the troops to focus on their mission and not on their money. Failing to fulfill this promise violates the trust they have in us, distracts our service members from their mission, and hurts our military's ability to recruit and retain soldiers, sailors, airmen and Marines.

We enable the flow of materiel that promotes our nation's defense by ensuring timely and accurate payment for goods and services provided by defense industry contractors and vendors.

We also understand that our customers must get the most out of every dollar entrusted to them by the American taxpayers. By accelerating accounting reports and improving their overall quality, DFAS increases the speed and precision with which our clients can use their resources to execute their missions.

FY 2004 Accomplishments

In FY 2004, the DFAS team sharpened its focus on the needs of our customers. World events increased operations tempo for our clients and stretched their resources as they fought a global war on terror. This environment makes professional, responsive finance and accounting service more critical than ever.

World events, including the war on terrorism, have increased demands on DFAS. DFAS team members played important roles in supporting the mobilization and demobilization of more than 195,000 military members. Many DFAS members deployed to provide support to commanders in theater. Meanwhile, other DFAS personnel contributed finance and accounting expertise to help rebuild the Iraqi nation by establishing control, disbursing and pay processes.

DFAS's workload in FY 2004 continued to grow as the team processed more than 104 million pay transactions for about 5.9 million military members, civilian employees, and military retirees and annuitants. The team also made 6.9 million travel payments, paid 12.6 million commercial invoices, processed 127.3 million general ledger postings, disbursed \$455 billion, and accounted for 282 active Defense appropriations. The DFAS team also helped make money for the department by managing military and health benefit funds worth approximately \$234 billion.

The quality of DFAS products and services also improved this past year. We reduced the time to deliver quarterly accounting reports from 45 to 21 days and the amount of time for annual reports from 80 to 45 days. The team lowered the amount of overaged Unmatched Disbursements from \$134 million in FY 2003 to \$23 million in FY 2004, decreased the amount of interest paid per million disbursed from \$160 in FY 2003 to \$138 in FY 2004, and expanded the myPay customer base to 2.9 million people.

Our efforts in FY 2004 increased the overall satisfaction of our customers for the second consecutive year. Satisfaction improved by an average of 4.3 percentage points across

the measures of recovery, choice, access, knowledge, timeliness, tangibles, reliability, quality and courtesy.

Building a team for success

To meet the demands of our customers, DFAS must satisfy the needs of our team members by building an organization and an environment that attracts, develops and retains world-class talent.

In FY 2004, we expanded developmental assignments to provide growth and learning opportunities to more than 4.7 percent of employees to broaden and strengthen their skills. We used intern programs like the Entry Level Professional Accountant and Entry Level Financial Analyst programs to bring more than 178 new professionals to the DFAS team. We also invested nearly \$1,384 per employee, or 2.7 percent of our total payroll, in training and career development, nearly double the average corporate training investment within the United States.

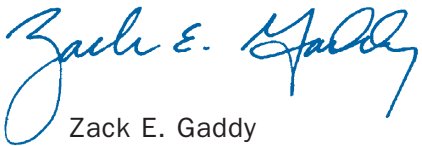
In return for this investment, DFAS team members reported an increase in employee satisfaction for the fourth consecutive year. Since 2000, employee satisfaction has improved by 13 percentage points. The overall results of DFAS Organizational Assessment Survey also showed continued improvement in 2004, raising the average score across the 17 measures by an average of 13 percentage points since 2000.

The continuing challenge

The DFAS team is proud of these results but recognizes it has much work to do to meet the continuing challenge of an ever-changing environment, shrinking resources and increasing demands for quality and service.

The DFAS team has the tools to succeed. Our transformation effort is an integrated, leadership-driven program that evaluates each function within DFAS to determine the best option for transforming that function to ensure it is delivering the right products and services to DFAS customers through the most efficient means possible. Lean6 combines Lean Thinking with the methods of Six Sigma to identify and seize opportunities to eliminate waste, reduce errors and increase productivity. Portfolio Management disciplines our investment decision-making process to prioritize and fund projects and initiatives that best support the DFAS strategy. Finally, we rigorously manage these efforts through the agency's Balanced Scorecard to ensure our efforts are delivering the results our customers expect and the strategic progress we demand of ourselves.

The members of the DFAS team are dedicated to supporting the men and women who defend America with integrity, innovation and service. We are committed to achieving our vision of truly becoming a world-class finance and accounting organization because our customers deserve nothing less.



Zack E. Gaddy
Director



November 23, 2004

Mr. Zack E. Gaddy
Director
Defense Finance and Accounting Service
1851 South Bell Street
Arlington, VA 22240

Dear Mr. Gaddy:

The purpose of this letter is to confirm that we have recently completed our audit of the financial statements (not separately presented herein) of the Defense Finance and Accounting Service as of and for the year ended September 30, 2004, and have issued our unqualified report thereon, together with our related internal control and compliance reports. We understand that these reports and related financial statements appear in their entirety on DFAS' Web site at www.dfas.mil. We appreciate the opportunity to be of service to DFAS.

Very truly yours,

Urbach Kahn & Werlin LLP

URBACH KAHN & WERLIN LLP

1425 K Street, NW, Suite 500, Washington, DC 20005 (202) 296-6505 FAX (202) 223-8487
An Independent Member of Urbach Hacker Young International

What DFAS Accomplished

In fiscal year 2004, the DFAS team

- Processed 104 million pay transactions to military members, federal civilian employees, retirees and annuitants
- Made 6.9 million travel payments
- Paid 12.6 million commercial invoices
- Processed 127.3 million general ledger postings
- Managed \$234 billion in military retirement and health benefit funds
- Disbursed \$455 billion to pay recipients
- Managed \$13.5 billion in foreign military sales (reimbursed by foreign governments)
- Accounted for 282 active DoD appropriations

DFAS provides professional, responsive finance and accounting services to DoD and other federal agencies. It delivers mission essential payroll, contract and vendor pay, and accounting services to support America's national security.

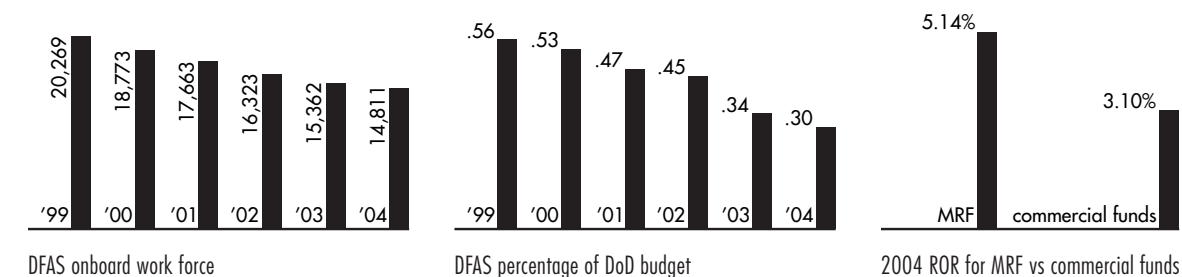
DFAS is a Defense Working Capital Fund agency. Rather than receiving direct appropriations, DFAS earns operating revenue for products and services provided to its customers.

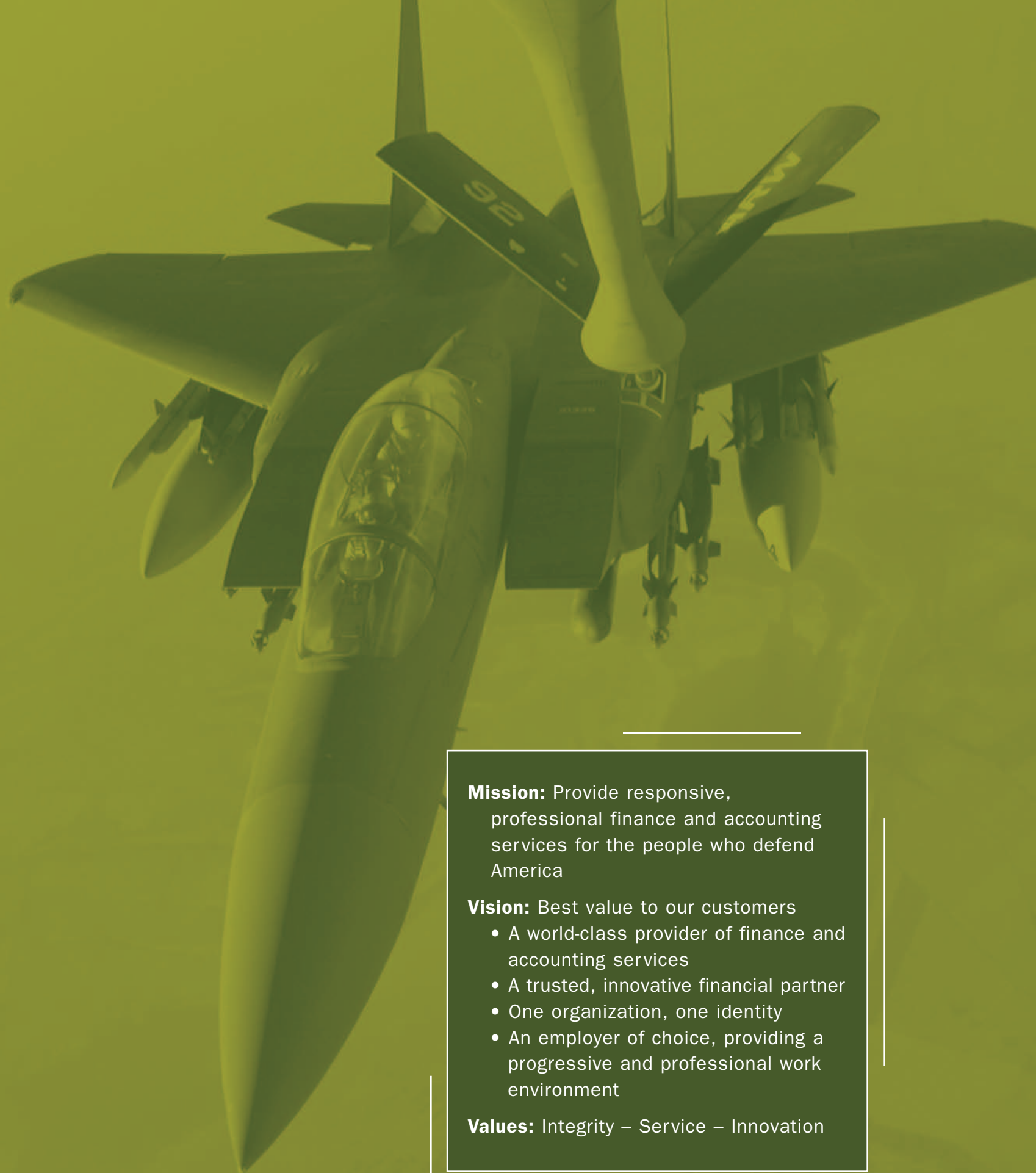
DFAS continually seeks ways to improve its effectiveness and efficiency, to raise the quality of its products and services, and to increase the value returned to its customers and the American taxpayer. Greater efficiency leads to reduced costs that DFAS subsequently returns to its customers in the form of lower bills. By reducing its cost of operations, DFAS enables its defense customers to apply more of their resources to training, equipping and supporting the men and women who defend America.

Since its inception in 1991, DFAS has worked to reduce its infrastructure. Finance and accounting systems exceeded 300 in number have been reduced by more than 75 percent. In conjunction with the Business Management Modernization Program and the Domains, DFAS is continuing this effort.

Today, DFAS accomplishes its mission with 27 percent fewer employees than in 1999. DFAS has also reduced the number of military personnel assigned to DFAS from 1,545 in FY 1999 to 738 at the end of FY 2004, reducing the percentage of DFAS employees who are military members to just 4.78 and freeing others to perform more operational duties for their respective service. DFAS delivers its services for 0.30 percent of the overall DoD Budget.

For more about DFAS and to review DFAS's audited financial statements, visit <http://www.dod.mil/dfas>.





Mission: Provide responsive, professional finance and accounting services for the people who defend America

Vision: Best value to our customers

- A world-class provider of finance and accounting services
- A trusted, innovative financial partner
- One organization, one identity
- An employer of choice, providing a progressive and professional work environment

Values: Integrity – Service – Innovation

DFAS Mission

DFAS's mission is about the customer. It is about delivering pay and entitlements to meet the needs of the men and women who defend America and their families. It is about paying for the materiel and services that support national security. It is about providing meaningful business intelligence that allows defense leaders to get more from their resources.

More than just the world's largest finance and accounting operation, DFAS performs the nation's most important finance and accounting mission for the nation's most important customers.

Responsive, professional finance and accounting services go beyond just meeting customers' needs today. It involves anticipating how those needs will evolve by developing and nurturing close business relationships between executives in DFAS and executives at each client. It requires integrity, service and innovation to ensure that each client is well served.

DFAS team members are proud to serve the men and women who defend America. Team members know that every DFAS customer is a friend or a family member who has answered their nation's call to serve. This same sense of service drives DFAS team members to deliver their very best.



“Our strategy must place our customers’ needs in the forefront and must be fully informed by the voice of our customers. This strategy must focus less on the outputs of processes and more on the results that matter to our customers.”

– **Zack E. Gaddy**
Director

DFAS Strategy

DFAS is on a mission to provide responsive, professional finance and accounting services for the people who defend America. Today, more than ever, the world challenges us. We operate in a more dynamic environment, with a continually changing security and economic landscape. The environment is also more competitive with private-industry becoming increasingly capable of providing similar services on the same scale at a competitive price. DFAS’s vision is to be the best value to its customer, which requires becoming a world-class finance and accounting organization and to maintain our competitive edge. To continue achieving success, DFAS must take a strategic approach to managing its transformation. DFAS must meet these challenges by being a strategy-based, customer-focused and metrics-driven organization.

DFAS’s strategy places its customers’ needs in the forefront and is fully informed by the voice of our customers. This strategy focuses less on outputs of processes and more on results.

This strategy understands that to succeed in the future, DFAS must:

- Deliver error-free pay services on time. Pay affects people’s lives and satisfies their basic needs. A failure in our ability to fully satisfy this basic capability risks adversely affecting the morale and readiness of our military forces at a time when the world demands more from them.
- Provide business intelligence that enhances leaders’ ability to make resource decisions. We must provide knowledge that arrives in time to make a difference and in a format and level of detail that can be used easily and effectively.
- Lead a partnership with our customers to anticipate their needs and deploy integrated solutions that enhance financial management capabilities across the Defense enterprise.
- Attract, develop and retain a world-class work force with the skills, agility and motivation necessary to achieve the DFAS mission. DFAS employees will ultimately determine the agency’s success and our ability to serve the men and women who defend America.

DFAS has committed to achieving five fundamental strategic targets in the next several years:

- Pay service members what they are entitled to on the scheduled pay date
- Expand electronic commerce for Commercial Pay
- Provide auditable financial statements
- Develop a corporate capability to deliver client unique business intelligence
- Recruit, train and retain a work force needed to develop and implement the DFAS Strategy

Achieving these targets will enhance DFAS’s value to its customers and further support DoD’s Transformation and the President’s Management Agenda.

“DFAS employees have built a tremendous record of excellence of continually making DFAS more effective and more efficient. I know we will continue to deliver results for our customers as we tackle this next chapter in DFAS’s transformation.”

– Zack E. Gaddy
Director

DFAS Balanced Scorecard, Awards, and Recognition

	Goal	Report Cycle	Corporate	Acct	Comm Pay	Mil & Civ Pay
Customer Perspective						
Client/Customer Satisfaction (annual customer surveys)	5%	annual	Y	R	Y	Y
Accurate Delivery of Services (one from each main Business Line)						
Accounting – Timeliness of Accounting Reports to Customers	3/3	month	Y	Y	G	G
Commercial Pay – Reduce Overage Commercial Invoices on Hand	indicators					
Military and Civilian Pay – Resolve Pay Problems within 30 days						
Contact Center Customer Satisfaction	50%	month	G	-	G	G
Financial Perspective						
Total Costs – Cost Variance from Target	<=5%	month	G	Y	R	G
Unit Costs (one from each main Business Line)						
Accounting – Direct Billable Hours for Accounting Services	3/3	month	G	G	G	G
Commercial Pay – Reduce Composite Unit Costs below \$20.04	indicators					
Military and Civilian Pay – Reduce Composite Unit Costs below \$5.33						
Systems Capitol Cost	<=10%	month	-	R	G	G
Systems Operating Cost	<=10%	month	-	G	G	G
Systems Milestones Delivered (composite score of 19 systems)	19/19	month	-	G	G	G
Internal Business Process Perspective						
Commencement of Scheduled Business Case Analyses	6 BCAs	month	G	G	G	G
Accurate Delivery of Services (one from each main Business Line)						
Accounting – Reduce Aged Intransit Disbursements	3/3	month	R	R	G	G
Commercial Pay – Minimize Interest Penalty Payments	indicators					
Military and Civilian Pay – Pay Entitlement Calculations Processed Accurately						
Inovative Business Practices	17/year	month	Y	G	G	G
Growth and Learning Perspective						
Employees in Developmental Assignments	3%	month	G	G	G	G
Employees with Licenses or Certificates	90%	month	G	G	G	G
Employees with Degrees (bachelor & higher)	90%	month	G	G	G	G
Employee Satisfaction	60.7%	annual	Y	G	Y	R
Climate for Action	55.3%	annual	G	G	G	R

DFAS Balanced Scorecard results for FY 2004

Significant Awards and Recognition

The following are selected examples of awards earned by DFAS for innovation and excellence as a federal leader in finance and accounting.

myPay – Innovative online self-service system

- Named top federal innovator by MIT/Accenture
- Named among top technology innovations by Government Executive Magazine
- Winner Department of Defense Value Engineering Achievement Award

Defense Civilian Pay System – Quality software development and systems management

- Earned Level-4 Capability Maturity Model Certification from the Software Engineering Institute

ePortal – Collaborative knowledge management

- Named as one of the top 10 government intranets by NielsenNorman Group

Commercial Pay Services – expanding the use of ecommerce

- Winner Department of Defense Value Engineering Achievement Award

Defense Cash Accountability System – special achievement

- Winner Department of Defense Value Engineering Achievement Award



“The DFAS team is proud to support the men and women who defend America. We are dedicated to continually improving the products and services we deliver because we recognize that in order for our customers to succeed in their missions we must excel in ours.”

– **Brig. Gen. Jan D. “Denny” Eakle,**
USAF
Deputy Director

DFAS Operations Overview

DFAS exists to deliver world-class finance and accounting products and services to the men and women who defend America. DFAS employs approximately 14,800 people throughout the United States and in the European and Pacific theaters of operations to serve this purpose.

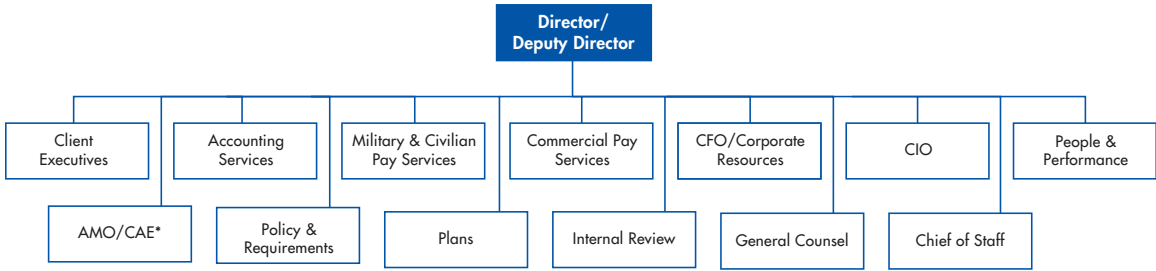
DFAS has built its organization to anticipate and meet its customers’ needs by assigning each major customer a dedicated client executive to foster effective communication and build partnerships that enhance customers’ mission capabilities. These client executives ensure the DFAS operational team understands the unique and diverse requirements of each customer.

DFAS’s three operational business lines deliver the specific products and services that satisfy these needs:

- Military and Civilian Pay Services provides all aspects of pay to individuals—pay, travel reimbursements and garnishments.
- Commercial Pay Services provides payment services to all contractors doing business with DoD.
- Accounting Services provides departmental and field-level accounting and disbursing services.

DFAS operations also include managing DoD’s Financial Management Regulation; advocating policy, overseeing the acquisition and management of finance and pay systems that support DoD’s Business Management Modernization Program; and developing a corps of finance and accounting professionals to meet DoD’s business needs.

To support these functions, DFAS recently reorganized its management structure and streamlined decision making within the agency, making DFAS more responsive to its customers and providing more effective leadership and management within the agency.



DFAS organization structure as of October 3, 2004
* Acquisition Management Organization / Component Acquisition Executive

Military and Civilian Pay Services

Customers depend on DFAS every day to deliver timely, accurate pay services in peacetime and during times of war.

DFAS pays 5.9 million people, including:

- Members of the Army, Navy, Air Force, and Marine Corps
- Civilian employees of DoD and various federal agencies
- Military retirees and annuitants

The Military and Civilian Pay Services Business Line provides all forms of payments to individuals, almost entirely through electronic funds transfer.

In FY 2004, DFAS continued to enhance myPay, a Web-based system that allows customers to manage their pay account information securely and easily from around the world, night or day at <https://mypay.dfas.mil>. Today, more than 2.9 million people choose to use myPay regularly. DFAS also expanded its support to hundreds of thousands of military members overseas by launching the Community Bank Online Banking Service that provides the same type of online services people in the states enjoy.

The Military and Civilian Pay Services team also performs critical support functions that include:

- Staffing call centers and help desks to solve individual customer problems
- Defining and testing changes to automated pay systems
- Processing garnishment, debt and waiver applications
- Working with federal, state and local taxing authorities
- Overseeing the Defense travel card and Defense overseas military banking programs

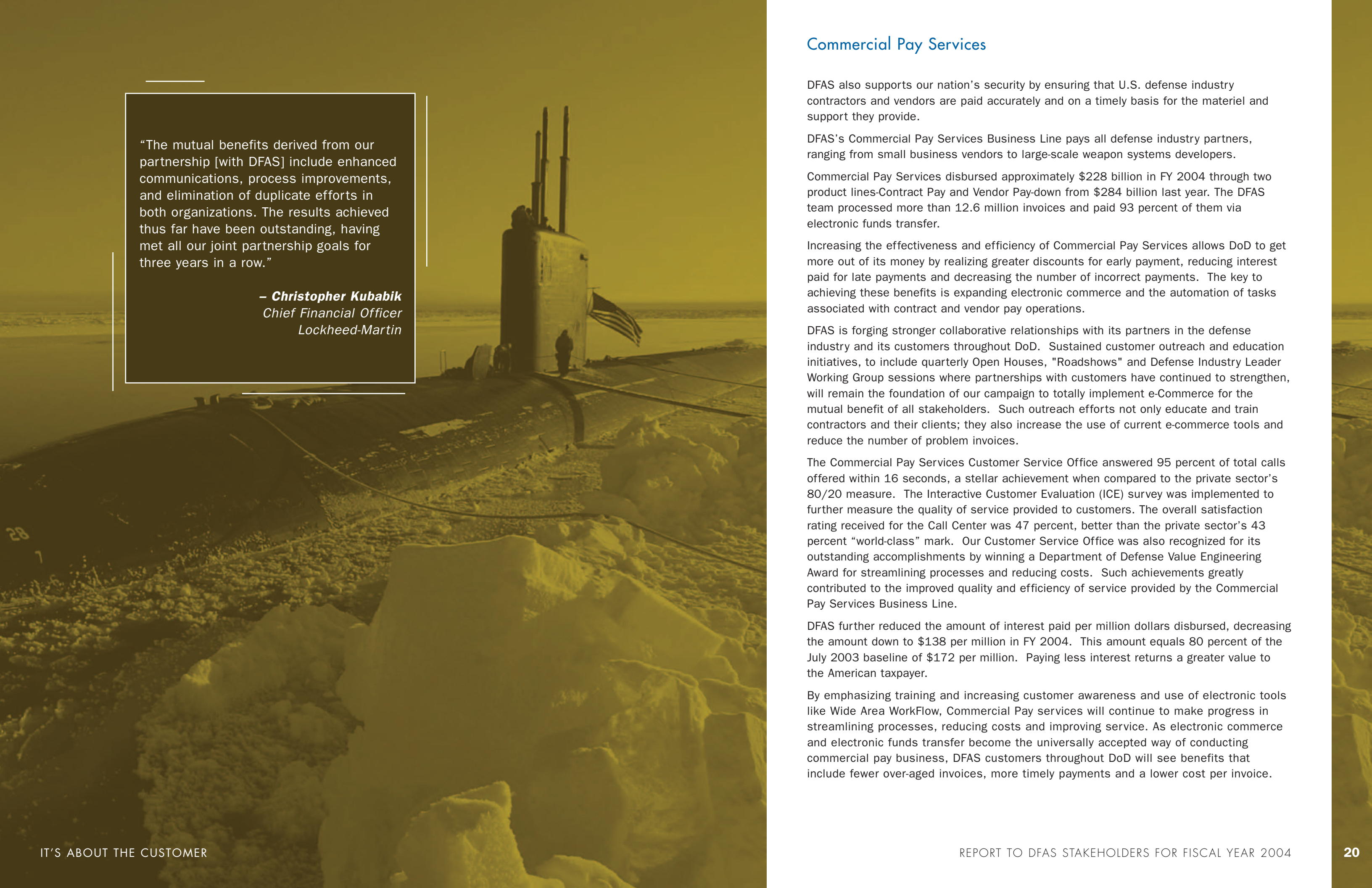
DFAS took significant steps to enhance the quality of products and services it delivers its pay customers. In March, DFAS established its Customer Operations Product Line to integrate the agency's customer service. In June, DFAS opened its Reserve Pay Center of Excellence to better meet the unique needs of the Reserve Component members of America's military.

This year DFAS also supported the mobilization and demobilization of more than 195,000 men and women for the war on terrorism. DFAS team members worked closely with the Armed Services to develop and implement a comprehensive plan to eliminate problems faced by mobilized Reserve Component members. The plan addresses issues created by aging systems, ineffective processes and insufficient training. It includes development of training programs for mobilization support personnel as well as in-theater finance professionals. The plan also calls for the creation of a Forward Compatible Pay System to replace the Defense Joint Military Pay Systems. FCP will support both the active and Reserve Components of the Army, Air Force and Navy as an interim solution until the Defense Integrated Military Human Resource System is implemented and brings personnel and pay systems together. DFAS will begin rolling out FCP in late summer of 2005.

DFAS team members also deploy alongside finance units to provide in-theater support. Support to mobilized service members includes payroll disbursements, training, check cashing, currency conversion and contracting.

"The employees of DFAS are to be commended for their tireless efforts to accomplish the task before them! I retired from the U.S. Army 34 years ago and I have never had a problem with my pay (with more than 20 years active duty and about 10 years civil service without an error). Many thanks to all the hard working people of DFAS and DoD."

– **Bill Case**
Retired Pay Customer



“The mutual benefits derived from our partnership [with DFAS] include enhanced communications, process improvements, and elimination of duplicate efforts in both organizations. The results achieved thus far have been outstanding, having met all our joint partnership goals for three years in a row.”

– **Christopher Kubabik**
Chief Financial Officer
Lockheed-Martin

Commercial Pay Services

DFAS also supports our nation’s security by ensuring that U.S. defense industry contractors and vendors are paid accurately and on a timely basis for the materiel and support they provide.

DFAS’s Commercial Pay Services Business Line pays all defense industry partners, ranging from small business vendors to large-scale weapon systems developers.

Commercial Pay Services disbursed approximately \$228 billion in FY 2004 through two product lines-Contract Pay and Vendor Pay-down from \$284 billion last year. The DFAS team processed more than 12.6 million invoices and paid 93 percent of them via electronic funds transfer.

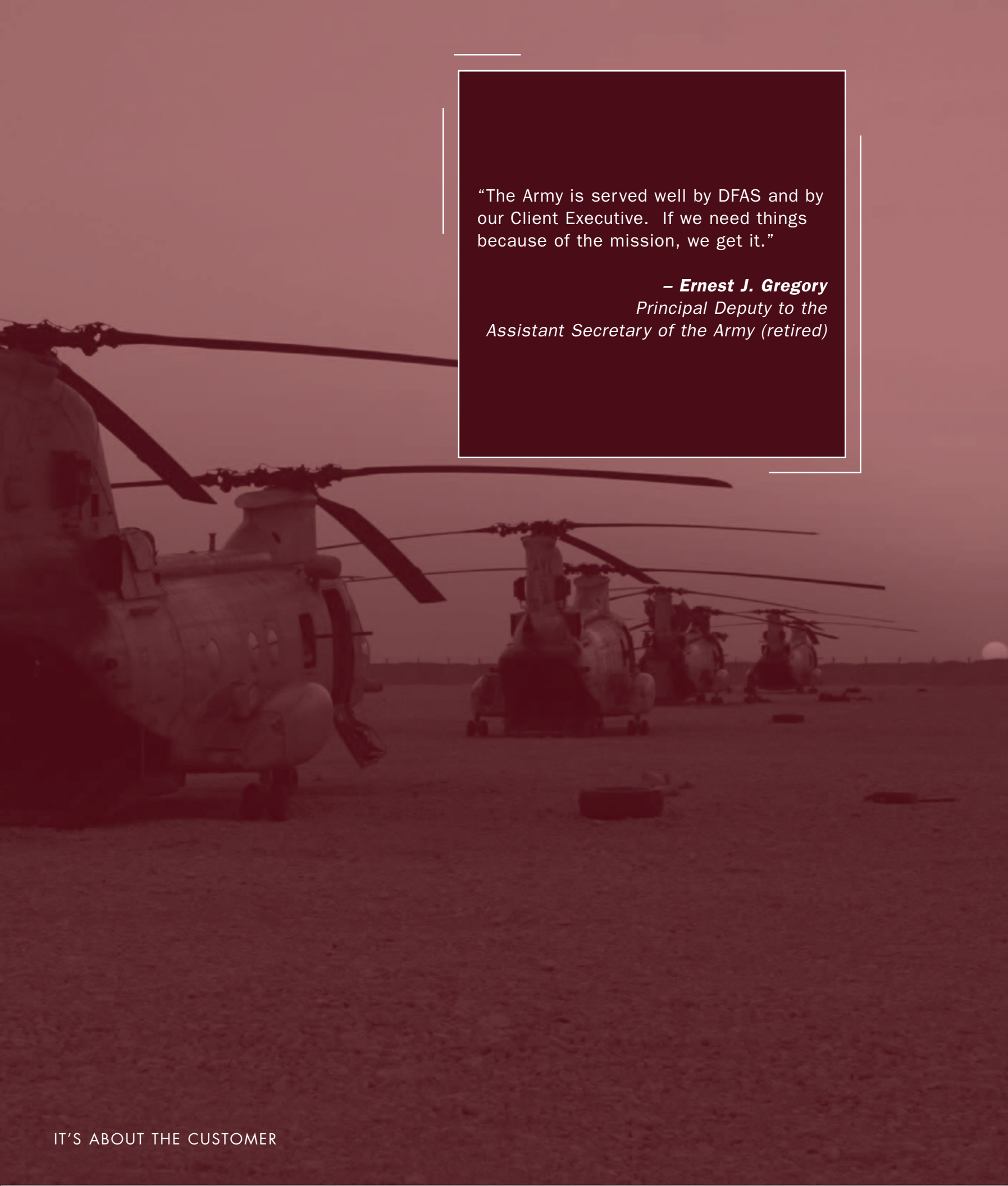
Increasing the effectiveness and efficiency of Commercial Pay Services allows DoD to get more out of its money by realizing greater discounts for early payment, reducing interest paid for late payments and decreasing the number of incorrect payments. The key to achieving these benefits is expanding electronic commerce and the automation of tasks associated with contract and vendor pay operations.

DFAS is forging stronger collaborative relationships with its partners in the defense industry and its customers throughout DoD. Sustained customer outreach and education initiatives, to include quarterly Open Houses, "Roadshows" and Defense Industry Leader Working Group sessions where partnerships with customers have continued to strengthen, will remain the foundation of our campaign to totally implement e-Commerce for the mutual benefit of all stakeholders. Such outreach efforts not only educate and train contractors and their clients; they also increase the use of current e-commerce tools and reduce the number of problem invoices.

The Commercial Pay Services Customer Service Office answered 95 percent of total calls offered within 16 seconds, a stellar achievement when compared to the private sector’s 80/20 measure. The Interactive Customer Evaluation (ICE) survey was implemented to further measure the quality of service provided to customers. The overall satisfaction rating received for the Call Center was 47 percent, better than the private sector’s 43 percent “world-class” mark. Our Customer Service Office was also recognized for its outstanding accomplishments by winning a Department of Defense Value Engineering Award for streamlining processes and reducing costs. Such achievements greatly contributed to the improved quality and efficiency of service provided by the Commercial Pay Services Business Line.

DFAS further reduced the amount of interest paid per million dollars disbursed, decreasing the amount down to \$138 per million in FY 2004. This amount equals 80 percent of the July 2003 baseline of \$172 per million. Paying less interest returns a greater value to the American taxpayer.

By emphasizing training and increasing customer awareness and use of electronic tools like Wide Area WorkFlow, Commercial Pay services will continue to make progress in streamlining processes, reducing costs and improving service. As electronic commerce and electronic funds transfer become the universally accepted way of conducting commercial pay business, DFAS customers throughout DoD will see benefits that include fewer over-aged invoices, more timely payments and a lower cost per invoice.

A line of military helicopters, likely Chinooks, parked on a tarmac. The scene is captured at sunset or sunrise, with a warm, orange glow in the sky. The helicopters are arranged in a row, receding into the distance. The image has a semi-transparent dark red overlay.

“The Army is served well by DFAS and by our Client Executive. If we need things because of the mission, we get it.”

– **Ernest J. Gregory**
*Principal Deputy to the
Assistant Secretary of the Army (retired)*

Accounting Services

The DFAS Accounting Services Business Line delivers timely, meaningful financial information to meet the management needs of Defense Department leaders. Customers at the field and departmental levels depend on DFAS for accounting support for all types of funds—appropriated funds, working capital funds and trust funds. Accounting professionals maintain accounting systems and develop procedures to implement federal accounting requirements mandated by Congress, the Office of Management and Budget, Department of the Treasury and DoD.

DFAS accounting professionals produce monthly accounting reports in 13 days and quarterly reports in 21 days instead of last year’s 45 days. More current accounting reports provide decision makers the confidence to more accurately and more quickly execute the budgets entrusted to them to fulfill their missions.

Accounting Services completed more than 127 million accounting transactions during FY 2004. DFAS accounting professionals managed \$195 billion in the Military Retirement Fund earning a 5.19 percent market value return and \$39 billion in the Medicare-Eligible Retiree Health Care Fund earning 2.43 percent return. The return on the Military Retirement Fund exceeded the market value average return on competitive commercial funds by over 2 percent. The team also accounted for \$13.5 billion in foreign military sales and \$4.6 billion in grants and loans through foreign military finance.

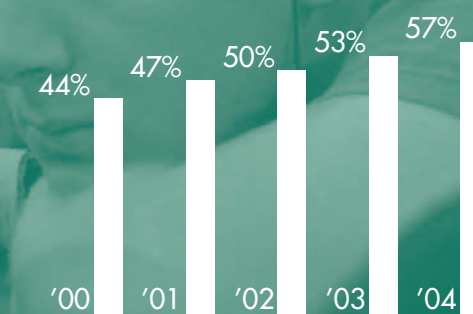
DFAS surpassed its goals for negative unliquidated obligations, aged intransit transactions and unmatched disbursements. Negative unliquidated obligations finished at \$95 million, \$76 million better than the \$171 million goal for FY 2004. Aged intransit transactions ended the year at \$502 million, and Unmatched Disbursements came in at \$735 million, \$194M under its \$929 million goal.

DFAS is enhancing delivery of accounting support for customers. By expanding the use of mission support accountants with its clients, DFAS is improving responsiveness by embedding the professional accountants with the client units they support. In August, DFAS announced that the Security Assistance Accounting function would be retained by the Government’s Most Efficient Organization as a result of an A-76 cost comparison. DFAS currently performs the Security Assistance Accounting work with 250 employees as compared to 460 in March 2000.

In FY 2004, DFAS achieved its fifth consecutive unqualified opinion on its audited financial statements while helping Defense Commissary Agency and the Defense Contract Audit Agency to earn their third consecutive clean opinions and the Military Retirement Fund to earn its eleventh. DFAS continues to work with its accounting clients to make progress toward producing auditable financial statements for all of DoD by FY 2007.

“DFAS can be proud of the improvements we’ve made since 2000. Across DFAS, employee satisfaction improved by 13 percentage points. According to OPM’s Performance America Benchmarks, DFAS is near the top in commitment to its work force, innovation, training and career development, leadership and quality, and customer orientation when compared to other organizations.”

– **Zack E. Gaddy**
Director



employee satisfaction index



2004 organizational assessment vs. Performance America benchmarks

Support Functions:

Behind the clerks, technicians, and accountants who serve the many customers of DFAS, a cadre of educated and highly-skilled professionals works to ensure they have the personnel, technology, training, policy and other business resources necessary to make their mission a success.

DFAS has made great strides in ensuring its support functions are more efficient, which in turn makes the overall organization more effective. DFAS has also reduced its footprint by 13 percent since FY 2001 and reduced facility related costs by 7 percent or \$6.0 million.

In FY 2004, DFAS simplified its structure to create more agile and effective management and decision making. In addition to the three major business lines, all other functions were aligned based on their major responsibilities:

- **Chief Information Officer.** Operating technology services were consolidated under the CIO.
- **Chief Financial Officer/Director of Corporate Resources.** Financial Management and Comptroller, and Support Services functions remain aligned to the CFO/Director of Corporate Resources.
- **Policy and Requirements.** DFAS consolidated all of its policy functions and created a corporate requirements function into a single directorate.
- **Plans.** Corporate Planning functions of Competitive Sourcing, Base Closure and Realignment, Strategic Planning, Transformation, Benchmarking and Activity Based Costing studies, and Balanced Scorecard management are consolidated with Business Integration and Lean6 functions under the newly created Plans and Requirements Directorate.
- **People and Performance.** Human capital, performance management and quality initiatives became a separate corporate directorate to emphasize the agency's commitment to its people and its pursuit of perfection.
- **Acquisition Management Office/Component Acquisition Executive.** DFAS established an Acquisition Management Organization to comply with recommendations from the December 2003 Under Secretary of Defense (Acquisition Technology and Logistics) review. This new directorate oversees acquiring all new major systems as required by the Department of Defense 5000 series regulations. It encompasses Systems Integration, Contract Services, and takes on oversight of Forward Compatible Pay, Defense Modernization Office, and Military Pay Systems Transition Program Office.
- **Chief of Staff.** DFAS also consolidated its Corporate Communications, Legislative Affairs and Freedom of Information Act functions under its Chief of Staff.

Each year the Office of Personnel Management surveys DFAS to measure its organizational health and progress. Survey data are arranged in 17 categories and consolidated into two key indices—the Climate for Action (how an organization’s culture embraces change and innovation) and the Employee Satisfaction Index (an overall indicator of how satisfied employees are). Climate for Action improved by 12 percentage points while Employee Satisfaction improved by 13 percentage points since 2000.

DFAS also enhanced its security and contingency readiness posture in 2004 by ensuring systems and operations had solid continuity of operation plans and exercising those plans at various DFAS sites around the country.

These support functions provide much of the business management activities necessary to support this Defense Working Capital Fund agency with revenue in excess of \$1.5 billion. Future success at DFAS will involve continued commitment to smart business tools and processes like the Balanced Scorecard, Lean6, Portfolio Management and Business Case Analyses.

DFAS: Here to Serve You

Director

Zack E. Gaddy
703 607.2616 (DSN 327)

Deputy Director

Brig. Gen. Jan D. “Denny” Eakle, USAF
703 607.2616 (DSN 327)

Chief Financial Officer

Kathleen Noe
kathleen.noe@dfas.mil 703 607.1589

Client Executives

Army

Steve R. Bonta
steve.bonta@dfas.mil 317 510.2133 (DSN 699)

Navy

Kenneth Sweitzer
kenneth.sweitzer@dfas.mil 216 522.5511 (DSN 580)

Air Force

Carlton Francis
carlton.francis@dfas.mil 703 607.1370 (DSN 327)

Marine Corps

Carolyn Fortin
carolyn.fortin@dfas.mil 816 926.7102 (DSN 465)

Defense Agencies

Jack Mechanic
jack.mechanic@dfas.mil 703 601.3011 (DSN 327)

Business Line Executives

Military and Civilian Pay Services

Patrick T. Shine
pat.shine@dfas.mil 317 510.2135 (DSN 699)

Commercial Pay Services

Jerry S. Hinton
jerry.hinton@dfas.mil 703 607.0328 (DSN 327)

Accounting Services

Lee. J. Krushinski
lee.krushinski@dfas.mil 216 522.5511 (DSN 580)

Independent Auditors

Urbach Kahn & Werlin LLP
Certified Public Accountants
1425 K Street, NW, Suite 500
Washington DC 20005
202 296.6505

myPay – <https://mypay.dfas.mil>

DFAS – <http://www.dod.mil/dfas>

Customer Service Directory – <http://www.dod.mil/dfas/about/contacts>

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